

whether or not a nonresident alien individual or foreign corporation is engaged in trade or business in the United States.

The second would be to affirm that the granting by a nonresident alien individual or a foreign corporation of a discretionary power for the purchase and sale of securities to a U.S. banker, broker, or adviser does not constitute engaging in trade or business in the United States.

Third, under present law, many advisers feel that any ownership of real property by foreign investors creates a question of doing business. Clarification of this question should have a favorable effect on the amount of real estate investments made by foreign investors in the United States and probably also on the amount of security investments made by foreign investors desiring to own both real estate and stocks.

Implementation

Basic to our recommendations is the belief that any steps taken must be unilateral moves by the United States. Negotiation of reciprocal tax treaties typically extends over many years and results in separate rules for each treaty country. To attempt to implement our recommendations through treaty negotiation would vitiate the possibility of their having an immediate impact on the balance of payments. Decisive unilateral action is necessary to preserve the package concept which is essential if our recommendations are to have their maximum favorable impact on investor psychology throughout the world.

We do not believe it sound to defer changes in U.S. taxation of foreign investors on the grounds that there still exist restrictions on the ability of U.S. securities firms to market the securities of U.S. corporations abroad. Although such restrictions do exist, many important industrialized countries do not prevent their residents from purchasing U.S. securities through one channel or another. Thus there are substantial sums of foreign capital that are susceptible to being attracted to the United States for investment, if the tax laws of this country are amended to make such investment more attractive. In fact, the existence of other restrictions on the flow of foreign investment to the United States and the time needed to have these restrictions removed are strong arguments in favor of making unilateral changes in our tax laws. These changes can be made with a minimum of delay.

Conclusion

Our recommendations for tax revision, if adopted as a package, would greatly simplify the entire question of U.S. taxation of